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SUBJECT: NIGERIA: AMERICAN BUSINESS COUNCIL SAYS CUSTOMS
REFORM, STABILITY NEEDED FOR INVESTMENT

¶1. (U) Summary: In a meeting with Embassy Economic Counselor November 15, representatives of the American Business Council (ABC) listed the Government of Nigeria's propensity to announce policies seemingly with little concern for their impact as problems they would like to see addressed during Trade and Investment Framework Agreement (TIFA) talks. They specifically listed inconsistent enforcement of laws and idiosyncratic changes in regulations, inability to provide security for persons and property, and failure to effect customs reform as priorities. EconCouns stated that improving the business climate will benefit all businesses, foreign and domestic, invested in Nigeria, and help to attract new investors. End Summary.

¶2. (SBU) EconCouns met with the members of the ABC ahead of TIFA talks. EconCouns emphasized the need for Nigeria to make the business climate more predictable, and to strengthen the current trade relationship. The Government of Nigeria must uphold previously made contracts and commitments to companies and investors. Improvements to the business climate benefit already invested U.S. and Nigerian businesses and attract more foreign investment. The ABC can be helpful in focusing efforts of the Government on these goals.

¶3. (SBU) Dick Kramer, of Strategic Research and Investment Nigeria Ltd., deplored what he called the &ready, fire, aim& approach of the Nigerian federal government that contributes to the country's already volatile business environment. The government's announcement that it would not pay cash calls, and comments by the Central Bank Governor that Nigerian banks are not for sale to foreigners, have unnecessarily increased investment uncertainty in Nigeria, he said.

¶4. (SBU) The regulatory environment in Nigeria is weak; while good laws may exist at the federal, state and local levels, they are inconsistently enforced. Investors are also frustrated by regulations unfavorable to their efforts. Wole Obayomi, of KPMG, said the recent Lagos State government revisions of land transfer costs that ignore the

uniform formula written into the existing law has had the result that capital assets are currently valued at different rates than were previously used. Godwin Oteri, Johnson Wax Nigeria Ltd., decried the recent Lagos State energy levy (which left companies wondering why they should pay a fee for electricity they don't consistently receive) and unrealistic deadlines for registration. The lack of security has caused Johnson Wax to shut down its night-time production shifts because police are unable to protect workers and facilities from criminals.

¶5. (SBU) Kramer noted that the Federal Government also acts inconsistently; it recently stated it wants to increase the VAT, which Kramer views as counterproductive because it stifles businesses. The African Growth Opportunities Act (AGOA) offers market access but not production assistance; companies still must meet the hurdles of producing on their own* faced with all the aforementioned obstacles. The lack of customs reform has dissuaded companies from investing, and the lack of transparency in the entire system makes doing business difficult.

¶6. (SBU) COMMENT: The ABC is a fledgling organization affiliated with the American Chamber of Commerce. Launched in October 2007, it has not yet developed position papers precisely articulating its views on trade and the investment climate. At the group's monthly board meeting, held the week following EconCouns's visit, the group noted that frivolous lawsuits intended to harass foreign-invested companies, import bans and high tariffs were also of concern to ABC members, and discussed writing a white paper for use at the TIFA private sector round table. ABC leaders have been in touch with EconCouns to coordinate efforts in raising doing

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business issues with a range of GON officials.

¶7. (U) This cable has been coordinated with Embassy Abuja.
HUTCHINSON